



PRESS RELEASE

House Armed Services Committee

Floyd D. Spence, Chairman

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STATEMENT OF CHAIRMAN FLOYD SPENCE HEARING WITH GEN. SHELTON/SERVICE CHIEFS

Having officially organized the committee for the 106th Congress earlier today, we did not want to waste any time getting down to business. So I would like to welcome General Shelton and our four service chiefs to the newly renamed Committee on Armed Services.

It is unusual for the committee to be taking testimony from the Joint Chiefs less than two weeks before the President submits his budget, but we have some catching up to do. A lot has happened since last fall, and today's hearing is intended to give us all a better perspective from which to consider the President's budget proposal.

I suspect it is safe to say that last September's hearing before the Senate was not a particularly enjoyable experience for our five witnesses. Nonetheless, the hearing, and the events surrounding it, represented a watershed in what has been a frustrating and exasperating debate with this Administration over the state of our military forces, and adequate levels of defense spending. Until last September, just trying to baseline the services' quality of life, readiness and modernization shortfalls was, to use an old expression, "like pulling teeth." And trying to attain some understanding with regards to the real world implications of these problems was even more difficult. What did they mean in terms of risk? What did they mean for the long-term health of an all-volunteer force? And what did they mean in terms of our ability to protect and promote our nation's interests around the world?

In this context, I welcomed the President's long overdue admission last fall that the services were facing serious problems, as well as his recognition that fixing these problems would require increased defense spending. I also indicated at the time that I believed there would be bipartisan support in Congress as well as broad support among the American public for revitalizing our national defenses, *if the President was willing to lead on the issue*. Today, with the submittal to Congress of the fiscal year 2000 budget less than two weeks away, I hope the President takes the opportunity to address what our witnesses have identified as approximately \$150 billion in quality of life, readiness and modernization shortfalls over the next six years.

Other than the little we have learned from our witnesses' recent testimony, press reports and the occasional White House leak, we are in the dark on the question of whether or not the President has "put his money where his mouth is." While some top-line spending increases are expected in the upcoming

budget proposal, it is starting to look like there may be far less than meets the eye to the President's budget.

Faced with a shortfall of at least \$150 billion dollars, it has been reported in the press that the President's fiscal year 2000 budget will provide a \$12 billion dollar "increase," as part of a six-year \$110 billion dollar "increase." Even if we were to take these reports at face value, the reported "increase" would fall at least \$40 billion dollars short of the requirements identified by our witnesses — on average, almost \$7 billion dollars short each of the next six years.

But we all need to be very mindful of semantics, of our choice of words. The President's budget will almost certainly not provide a \$12 billion dollar top-line spending increase in fiscal year 2000, nor is it likely to provide anywhere near a \$110 billion dollar top-line spending increase over the next six years. I suspect that much of the reported "increase" will not, in fact, be a top-line spending increase at all. Instead, a significant percentage of the reported "increases" are more likely to be comprised of assumed savings from within the services' budgets that have been reapplied elsewhere. They are likely to be unrealized savings taken out of the hide of the services' budgets and internally reprogrammed.

Of course the availability of such savings depends entirely on the validity of the assumptions on which they are based. And obviously, assessing how real these savings are will have to await the President's budget submittal. However, we have all seen defense budgets that contain assumptions of great savings that never came to pass. If the President's reported \$110 billion dollar increase, already well short of the chiefs' \$150 billion dollar requirement, relies heavily on assumed savings — especially savings generated by assumptions of favorable long-term economic conditions — he is taking a high risk gamble with our military's future.

Make no mistake, both the Pentagon and the Congress have taken advantage of favorable economic conditions (such as reduced inflation and lower fuel costs) during the course of a single budget cycle. But doing so within a single 10-12 month budget cycle and after baseline economic assumptions have already been proven too high or too cautious is a far cry from planning on the availability of tens of billions of dollars 5 - 6 years in the future based on assumptions of sustained favorable economic conditions.

If the President chooses such a path to address the services' unfunded requirements, calling it risky would be an understatement. It is "betting on the come," hoping for savings and for the sustainment of economic conditions that are, perhaps, unsustainable. All it will take to come crashing down is an increase in inflation of a percentage point or two, or an increase in the price of a barrel of oil. And then what? The services' requirements are real, but the savings may never be.

So I urge everyone to be careful in how we describe and how we consider the President's budget proposal. Assumed future savings are no substitute for sustained real growth in top-line spending. I hope the budget contains real spending increases to apply against real shortfalls. I hope my fears of an over-reliance on assumed future savings turn out to be unfounded. Most of all, I hope, as I did last fall, that the President chooses to lead on this important issue.

In the meantime, I think it is important for our witnesses this afternoon to walk us through, in some detail, the approximately \$150 billion in unfunded requirements that you have identified. Likewise, as you proceed, I urge each of you to put these shortfalls into context — to tell us what they mean in the day-to-day world of soldiers, sailors, airmen and Marines — especially if the shortfalls are left unaddressed.